

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

A revamped business strategy for the health business segment of EA: Status quo and strategic alignment

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A work project carried out on the Master in Management Program under the supervision of:

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Abstract

Europ Assistance is currently facing a decisive moment to diversify its business model which is very reliant on the auto business line. The purpose of this part of the paper is to analyse the status quo and strategic alignment of the firm. An extensive literature review, a broad range of interviews with all relevant external and internal stakeholders as well as a global industry benchmarking had been conducted to identify the market needs and potential solutions.

Keywords: Health; Assistance; Telemedicine; Alignment

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Revamped Business Strategy
For the Health Business Segment

**NOVA SCHOOL OF
BUSINESS & ECONOMICS**

1. Europ Assistance Consulting Lab

The team conducted an exhaustive analysis of the health market to come up with a strategy for the health business line of Europ Assistance in Portugal



A revamped business strategy for the health business segment of Europ Assistance



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A revamped business strategy for the health business segment of EA: Market approach and positioning



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A revamped business strategy for the health business segment of EA: Status quo and strategic alignment



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A revamped business strategy for the health business segment of EA: Overview on recommendations



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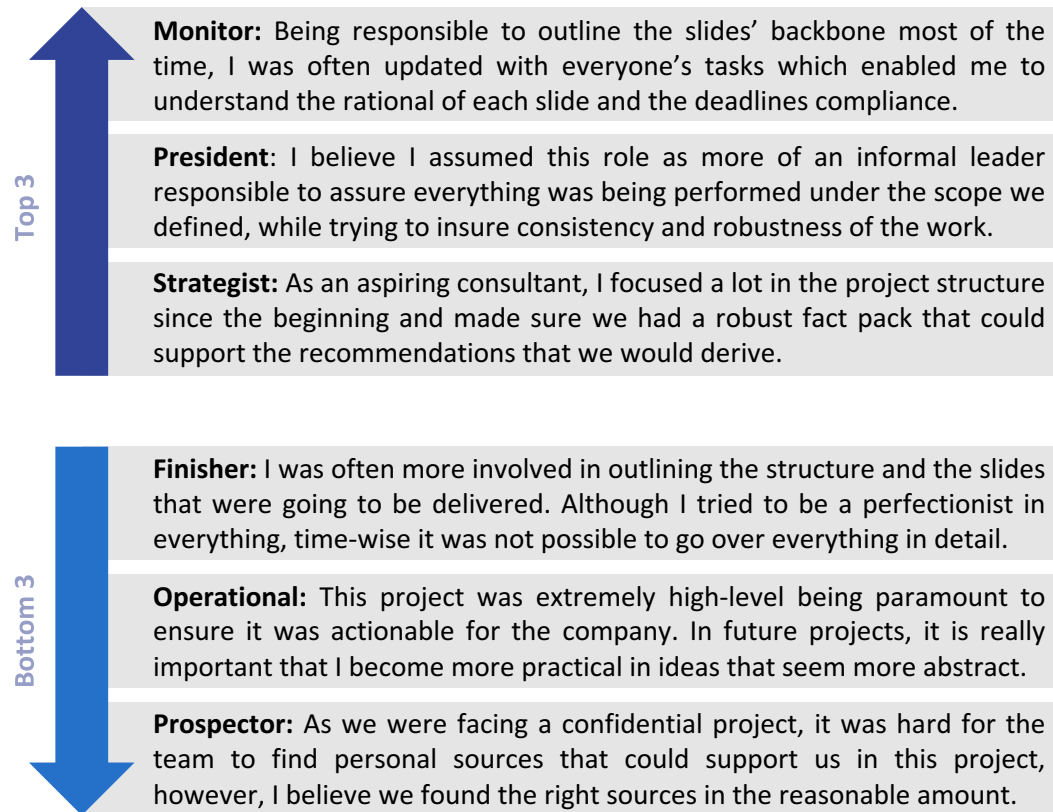
A revamped business strategy for the health business segment of EA: Proposed solutions and KPI's

2. Guilherme Aresta Branco

“I am proud and grateful to have exceeded the company’s expectations for this project, which could not be possible without our devotion and cooperation”

Belbin analysis results

Top and bottom results



Project takeaways

Three key learnings

This was undoubtedly the **most complete and challenging project I faced** during my master’s degree. Crafting a strategy to revamp Europ Assistance’s health business line **made us go through the entire consulting journey** and **witness the complexity of being a consultant**. This project reinforced my passion for strategy consulting and made me realize the **importance of having the right team**. It was not only the challenge that was interesting but the culture we managed to create in such a short period of time that made our hard work and time devoted to the project worth it. **This project will be for sure my major takeaway from the university.**



Syndication – The team placed a strong emphasis in the relationship with the client, as we understood it was incredibly fruitful and enabled us to collect all the information we needed to perform a successful project.



Structure – A project with such a wide scope would not be feasible in the period of time we were at the client site, if we did not place as much emphasis as we did in the project structure since the beginning.



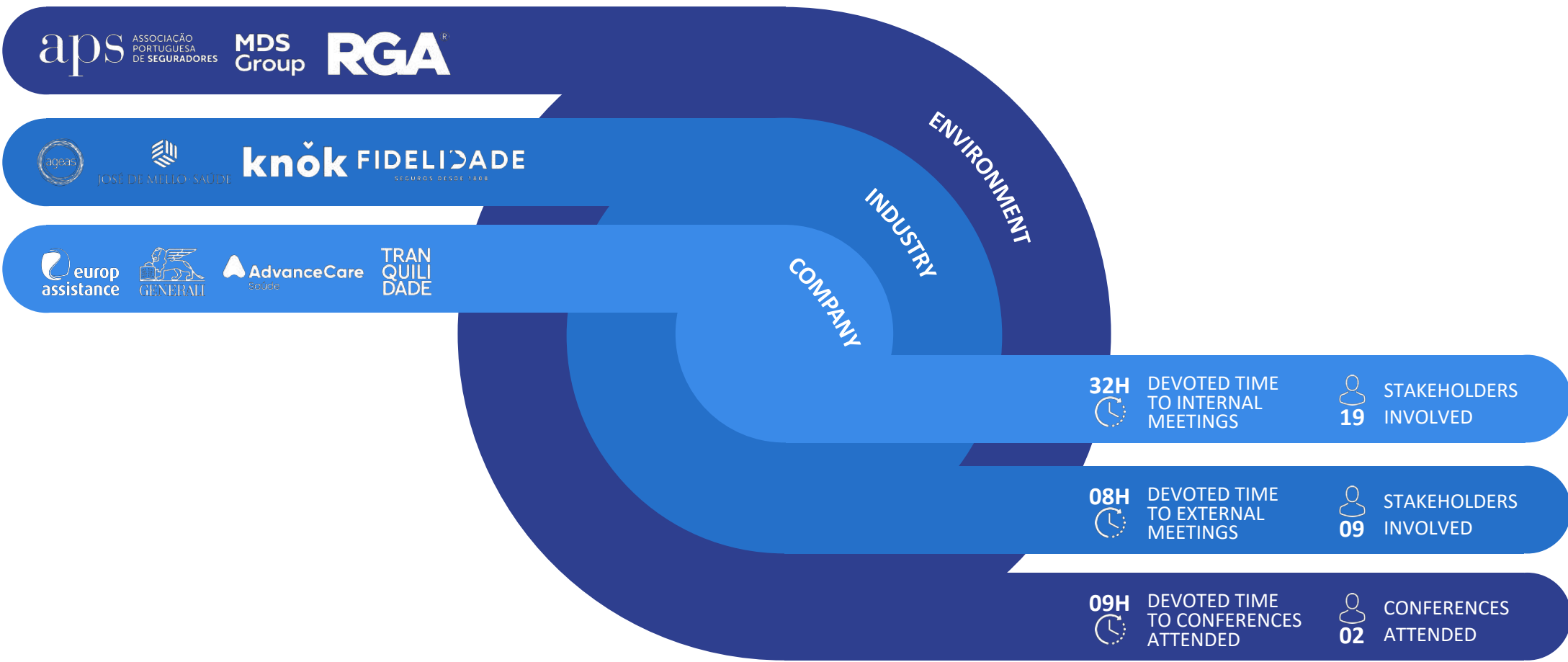
Team – Having a good relationship with the client and the right structure is extremely important, but above all, the success of this work is largely assigned to the team spirit and sacrifice we had throughout this project.

AGENDA

0. Initial Statements
1. Project Team and key takeaways
2. Baseline Definition
3. Project Approach
4. Formulated Hypothesis
5. In-depth Analysis
6. Hypothesis Testing
7. Recommendations
8. Appendices

5. In-depth Analysis (1/2)

The extensive analysis within this document is based on all the expert interviews, external meetings and conferences the team has attended over the past few weeks



5. In-depth Analysis (2/2)

The industry forces naturally have a greater impact on the firm than the overall market trends, especially in a dynamic and changing industry

As-is Macro Context – Internal Capabilities					As-is Micro Context – Internal Capabilities				
	Opportunities	Issues	Strengths	Challenges		Opportunities	Issues	Strengths	Challenges
Political and legal	Divestment in the SNS service	Introduction of the GDPR	Relevant positioning in the decision making processes	Strategic emphasis on the legal department	Clients	Lack of distinctive services	Customer acquisition	Customer retention	Proactivity in understanding clients needs
Economy	Lowest unemployment rate in 15 years	Relatively low disposable income (below EU average)	Synergies with other business lines	Competitive prices for B2C	Providers	Innovative ways of delivering services	Ease of collaboration with competitors	Scale and market insights	Proactive evaluation of market innovations
Social/ Demographic	Increasing population with health concerns	Ageing of the population	Ease of transition to a wider service portfolio	Services for elderly people	Competitors	Emphasis on digitalization	Leader dictates the rules	Generali ecosystem	Collaboration with competitors
Technological	Technological infrastructure exploitation	Poor technological adoption	Partners with strong IT knowledge	Strategic emphasis on IT	Consumers	Shift towards a comprehensive health insurance	Price is still consumers' top concern	Constant availability	Ad-hoc approach to new services

Business impact self-evaluation

- Extremely high
- High
- Medium
- Low
- Extremely low

Note

Strengths and challenges relate to the internal capabilities to face the external environment

5.1.1. Political and Legal Landscape (1/2)

Portugal is a politically stable country, although there is some social dissatisfaction especially intensified by the lack of quality in the SNS



Portugal Political ID

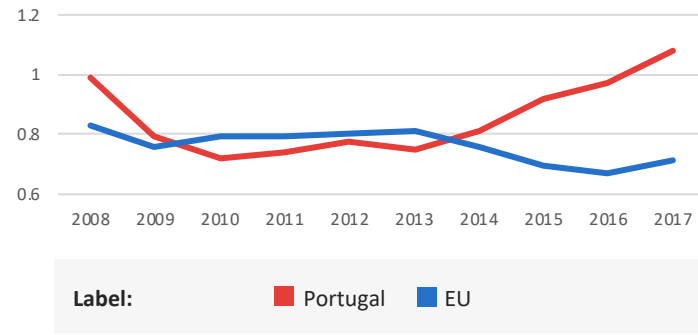
Type of State: Since 1974, Portugal is a republic based on parliamentary democracy with a multi-party system

Current party: The party system has been dominated by the Socialist Party (PS) and the Social Democratic Party (PSD)

Political leaders: Marcelo Rebelo de Sousa (PSD) is the President of Portugal and, consequently, the head of state. António Costa (PS) is the Prime Minister of Portugal and, consequently, the head of government and was re-elected in 2019

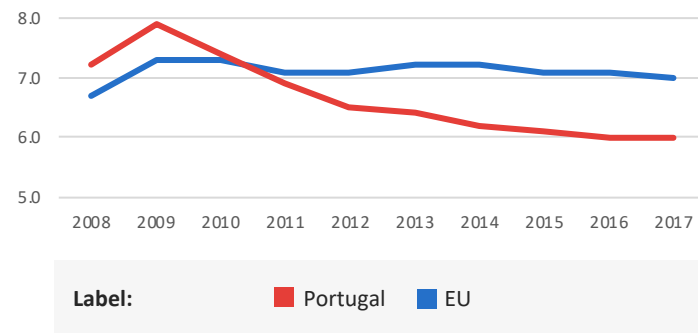
Political Stability

Political stability index (-2.5 weak; 2.5 strong), 2017



Political Agenda and Investment

Government expenditure on health (% of GDP), 2017







- > From 2013 onwards, there has been a **constant growth of the political stability** index. By 2017, Portugal was in the 21st position worldwide, 3rd in the EU
- > There has been a **growing social dissatisfaction** and, in 2018, the government received over 700 pre-strike notifications being health service the most worrisome
- > Health professionals recorded 176k days of absence due to strike reasons in 2018, where they **mainly claimed the defense of the National Health Service (SNS)**

- > Whereas in 2018 the public expenditure in health of Portugal was clearly above EU, in the last few years the **decrease has been steep**
- > PS' **political agenda contemplates efforts towards the improvement of SNS**, an aspect already present in the 2015 program
- > Portuguese people perception of the quality of SNS has been diminishing, especially associated with the **very high waiting time faced in public hospitals**

5.1.1. Political and Legal Landscape (2/2)

Portuguese law has to comply with some EU directives, having recently adopted GDPR which is the most significant change in data privacy regulation in 20 years

<div>Portugal Legal ID</div> <p>Legal system: The Law of Portugal is the legal system that applies to Portugal, and should be consistent with the European Union law in regard to corporate law, administrative law and civil procedure</p> <p>Portuguese laws: The main Portuguese laws include the Constitution, the Civil Code, the Penal Code, the Labor Code and the Commercial Societies Code (the latest has been partially replaced by new legislation)</p> <p>Changes: Regulatory changes have been made to address personal information security, where GDPR places a central role</p>	<div>67% of Europeans have heard of the GDPR</div> <div>60% of the companies changed the workflow of data process</div> <div>30% of IT decision makers in Portugal have a good GDPR knowledge</div>	<div>What is it</div> <div>Impact on firms</div> <div>Manageable data</div>	<ul style="list-style-type: none">> The EU General Data Protection Regulation (GDPR) is considered the biggest and most significant change in data privacy regulation in 20 years, and it is applied to EU-based companies or companies that collect EU citizens' data> The goal is to give the autonomy to citizens have a say regarding how their personal data is collected, who can collect the data, where can that data be collected and how should be used> Three principles underlie this law: privacy by design, meaning the software should be designed in a way to protect customer data; security by default, to collect only service-related data; and create accountability on the companies <hr/> <ul style="list-style-type: none">> The implementation of GDPR forced many companies to dump huge amounts of data, as they were not able to deal with the costs of following the directives either for lack of knowledge or personal information that became illegal> Compliance with GDPR costed Fortune 500 and FTSE 350 businesses around \$9 billion in legal experts for advice, advanced systems to cope with the requirements and consultants to help them with the organizational adaptation> Sanctions for non-compliance with GDPR may amount up to a €20 million fine or to 4% of the annual global turnover for a company <hr/> <ul style="list-style-type: none">> The company must process personal data in a lawful and transparent manner, specify the purposes of collecting such data from the user and collect only data that fulfill that purpose> Personal information legally obtain by the company should only be stored for no longer than necessary for the specified purposes for which it was collected> To ensure the security of the personal data, companies are enforced to install technical and organizational safeguards, to promote integrity and confidentiality of data
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5.1.2. Economic Landscape (1/2)

Portugal fully recovered its levels of wealth after-crisis, reflected not only in macroeconomic indicators, but also in gross disposable income per households



Portugal Economic ID

Wealth: Portuguese economy creates lower real levels of wealth than the European Average.

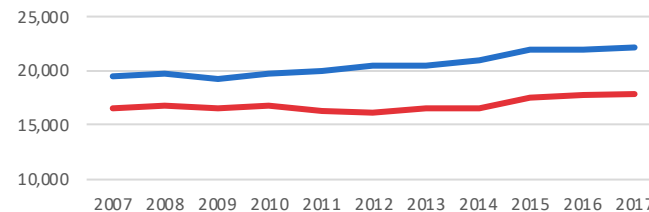
Gross Disposable Income per household: almost 20% lower than the EU average.

When compared to EU, Portugal **distributes directly or indirectly an higher part of its wealth to families.**

National Wealth GDP per capita PPP, (\$)

Country	2008	2018	Variation	% EU
European Union	\$ 35 163	\$ 38 079	8,3%	-
Italy	\$ 37 954	\$ 35 739	-5,8%	93,9%
Ireland	\$ 47 189	\$ 70 855	50,2%	186,1%
Portugal	\$ 27 590	\$ 28 687	4%	75,3%
Greece	\$ 31 881	\$ 25 140	-21,1%	66,0%

Disposable Income Gross disposable income per households PPP, (\$)



Label: Portugal EU

- > In 2018, Portugal **surpassed the GDP pc PPP** of 2008 in 4%. However, Portugal recovered in a **slower pace than the EU**, representing now 75,3% (vs 78,5%)
- > Portuguese wealth per person continues to **not enable a high international purchasing power**
- > When compared to countries that were also under intervention of IMF, Portugal registered an **on-average performance**

- > In 2017, Portuguese gross disposable income **was 81%** of the European average (17 869 vs 22 158)
- > Over the last years, Portuguese recovery **followed the European pattern**
- > When comparing the **levels of national wealth that are distributed to families**, Portuguese families receive a **higher percentage** than the European average

5.1.2. Economic Landscape (2/2)

Portuguese economic landscape has been showcasing a strong revamp, with benefits being clear with the spillovers in the employment rate and wealth redistribution



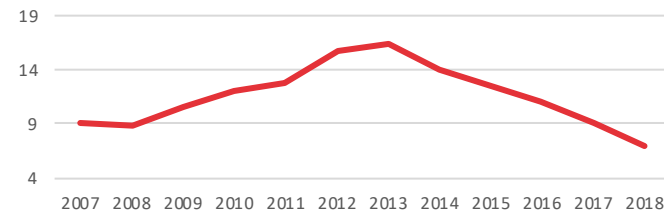
Portugal Economic ID

Unemployment rate: Portugal has historically seasonable adjustable rates, influenced by the importance of the tourism for the economy.

Gini Index: Portugal historically followed wealth redistribution policies.

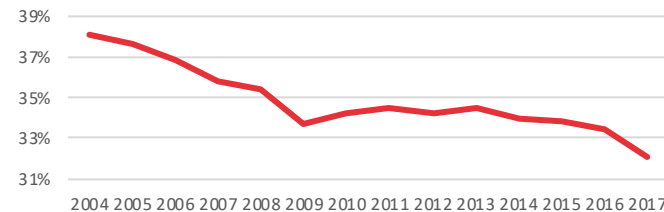
Portugal is currently **performing well** in employment creation and inequality measures, highly influenced by **tourism** and **government policies** in place.

Unemployment Rate GDP per capita PPP, (\$)



Label: ■ Portugal

Gini Index How inequal is the distribution of wealth among people, in a scale from 0 to 100?



Label: ■ Portugal

- > In 2018, Portugal reached the **lowest unemployment rate of the last 15 years (7%)**
 - > **Qualified workforce** (people that have, at least, an undergraduate degree) has **4,5%**
 - > Number of unemployed people is decreasing at a **faster pace** than the number of job positions created
-
- > Over the last years, Portuguese inequality levels **decreased by 15 percentage points** (32% in 2017 vs 38% in 2004)
 - > Portuguese government was mainly led by **socialist parties that successfully run wealth redistribution policies**
 - > It is expected the **same direction for the next years** due to the reelection of the government

5.1.3. Demographic and Social Landscape (1/2)

Portugal' demographics showcase a trend towards a clear ageing of the population, which poses an economic and social pressure in the country landscape



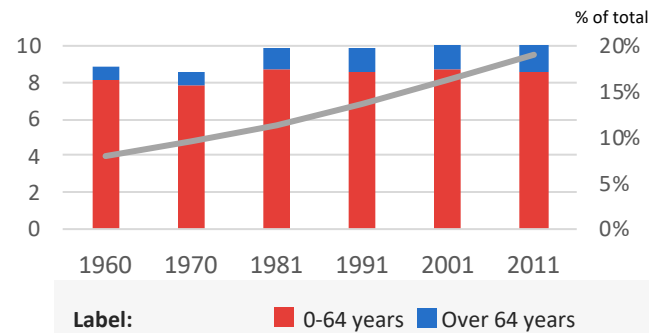
Portugal Demographics

Elderly population: Portugal has one of the highest european ageing index, which measures the ratio between elderly people to young people

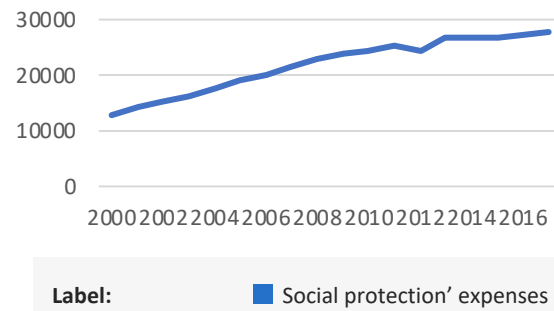
Life expectancy' increase: Significant higher access to health treatments in Portugal, higher adoption of active elderly lifestyles and innovation in healthcare have contributed to the increase in life expectancy

Impacts: Workforce decrease is a reality, which poses a strong pressure in social protection expenses

Population over 64 years old Evolution, in millions of citizens and % of total



Expenses in social protection Evolution of these expenses, in thousands (€)

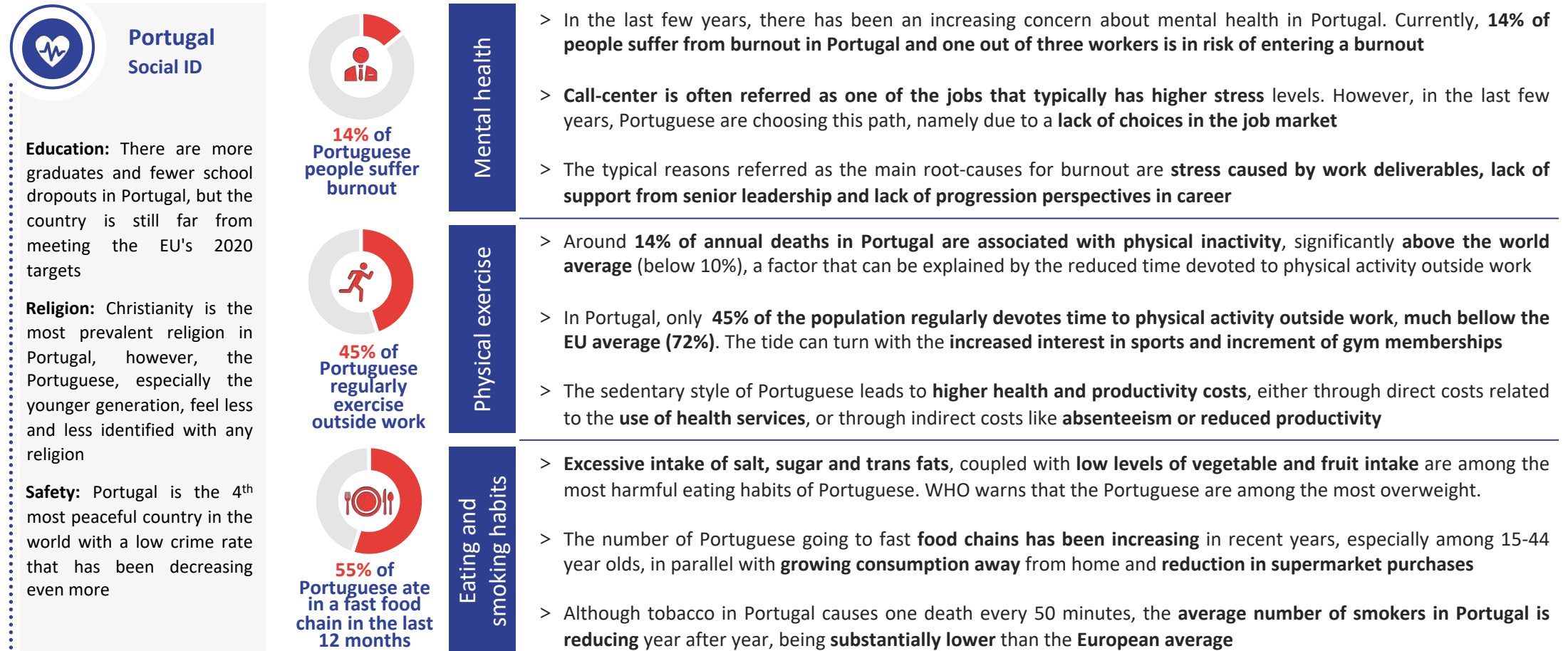


- > Since 1960, the weight of elderly population regarding total population in Portugal has been increasing significantly
- > Portugal was ranked the 3rd country in the European ageing index, with a projection to more than duplicate it from 147 to 317 in 2080
- > An increase in this trend is forecasted to happen, with the number of people above 64 years old predicted to grow more than 2 times until 2050

- > With less manpower, not only less people will contribute to pensions payment as the overall GDP of the country is affected
- > The extent of the impact will depend on several factors, as later retirement age, the rise of women in the job market and an increasing flow of migrants
- > According to the economist Börsch-Supan, digitalization and the capacity to diversificate investments to foreign countries is crucial for Portuguese firms

5.1.3. Demographic and Social Landscape (2/2)

Portuguese people are improving their physical condition and eating habits, however there are still several problems associated with burnout and lack of physical exercise



5.1.4. Technological Landscape (1/2)

Portugal is becoming one of Europe's innovation hotspots as a result of major investments and favourable conditions on 3 key success factors

<div data-bbox="180 358 318 492"></div> <div data-bbox="351 392 489 464">Portugal Innovation</div> <div data-bbox="219 521 535 678">Attractiveness to foreign investors: Portugal has been able to outperform its European peers in recent years.</div> <div data-bbox="219 706 535 963">Necessary talent in technology: A highly competitive local talent pool is complemented with incoming global talent and several initiatives to foster digital skills among Portuguese.</div> <div data-bbox="219 992 535 1192">Collaborative mindset and public incentives: During recent years, a strong innovation ecosystem with national and global input has been emerging.</div>	<div data-bbox="606 374 764 525"></div> <div data-bbox="588 539 779 639">52% of investors deem Portugal highly attractive</div> <div data-bbox="810 388 886 625">Attractiveness to foreign investors</div> <div data-bbox="606 674 764 825"></div> <div data-bbox="583 839 792 939">Portugal is in the 89th percentile in the home-grown talent in 2018</div> <div data-bbox="810 696 886 933">Necessary talent in technology</div> <div data-bbox="616 978 774 1129"></div> <div data-bbox="593 1143 779 1243">1.38% is the impact of Web Summit in Portugal's GDP</div> <div data-bbox="810 1025 886 1219">Collaborative mindset</div>	<div data-bbox="930 421 2344 592"><ul style="list-style-type: none">> Although the global uncertainty among investors increased, Portugal manages to outperform its European peers in attractiveness (52% vs 37% average)> In 2018, 74 FDI projects with a total annual FDI inflow of approximately 5 billion USD were developed. These investments created more than 6100 new jobs</div> <div data-bbox="930 728 2344 899"><ul style="list-style-type: none">> Highly competitive local talent pool - 7th best out of 63 countries in development of home-grown talent in 2018. Recently, increasing attraction of global talent> While there is still inequality in the distribution of digital skills among Portuguese, several initiatives to boost digital literacy across the population were launched</div> <div data-bbox="930 1035 2344 1206"><ul style="list-style-type: none">> Portugal is fostering an innovation ecosystem with national and global input: Web Summit, StartUP Visa, 200M Co-Investment Fund among other initiatives> Significant R&D agreements between multinationals and universities were signed. E.g. large-scale collaboration between Bosch and university of Minho</div>
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5.1.4. Technological Landscape (2/2)

The thriving startup scene and a solid digital infrastructure foster innovative solutions but the lagging technology adoption increases the importance of user-friendliness



Portugal Adoption

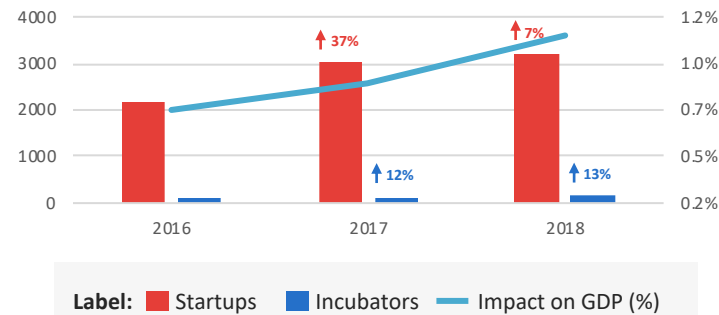
Thriving startup scene: The growing startup scene has given birth to several innovative healthcare solutions.

Digital infrastructure: Being at the forefront of technological infrastructure in some categories, Portugal has been investing to build the foundation for its digital era.

Technological adoption as challenge and opportunity: Digital interactions are becoming increasingly frequent but a lagging technology adoption demands easily accessible and usable solutions.

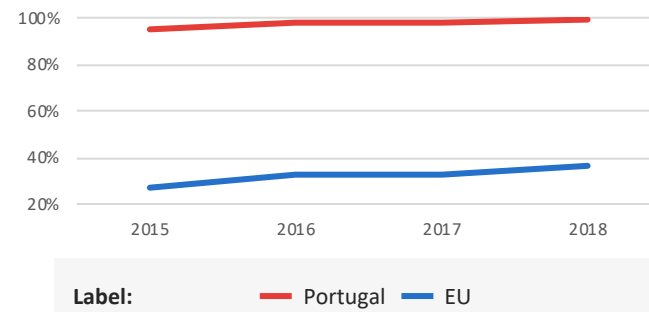
Booming startup scene in numbers

Number of startups & incubators and GDP Impact, 2018



Technological infrastructure and adoption







FTTH/B coverage (in % of homes), 2018



- > The numbers of Portuguese startups and incubators have been continuously growing with solid two-digit annual growth rates
 - > This thriving startup scene contributed **1.1% of the Portuguese GDP in 2018, creating almost 5000 new jobs** the same year
 - > Within these startups, **several innovative healthcare solutions** have been developed. National startups, such as knok, are attracting vast market attention
-
- > Among leaders in several categories of digital infrastructure such as FTTH/B (with almost 100% coverage), internet connection speed or mobile connectivity
 - > However, technology adoption by Portuguese is still below European average. In 2018, 23% of the population never used the internet (vs. 11% on EU average)
 - > Nevertheless, as interactions with customers are becoming increasingly digital, companies should **focus on providing easily accessible and usable solutions**







5.2. Industry Synthesis

The industry is facing a significant transformation as technological solutions break into the market, along with increasing emphasis on comprehensive health insurance

Micro Context		Main Insights
▼ More detailed in next Chapters ▼	Providers Landscape 	<ul style="list-style-type: none"> > The existence of multiple companies with very specialized services makes it unattractive for them to be exclusive to a single partner, especially because they benefit from scale; > The likelihood of providers attempting to integrate vertically in this industry is greatly reduced, because it is an industry where it takes expertise and reputation that takes time; > Tech, medical and transportation companies end up being the key assistance providers in the health segment with a plurality of services that are difficult to develop internally; > Startups with disruptive business models are emerging, and they are shaking the assistance environment by its innovative ways of delivering services.
	Clients Landscape 	<ul style="list-style-type: none"> > Insurance companies, banks, hospitals, and travel agencies (brokers) are the major clients of assistance companies, with a very low involvement in B2C approaches; > In this industry, customer retention reigns over customer acquisition given the high effort-based and time-based switching costs, since it is hard to substitute a longstanding relationship that has already been built between companies; > Clients often demand for innovative services so they can build an advantage over their own competitors and serve customers with the widest service portfolio.
	Consumers Landscape 	<ul style="list-style-type: none"> > Consumers top concerns relate to affordability, as costs are still the major pressing consumer concerns and needs; continuity, concerning insurance coverage and care provision; digital as part of the healthcare delivery; and engagement, consumers want to make more informed decisions, but they lack collaboration and engagement > Insurers recognize the need to shift from a disease insurance to a comprehensive health insurance which includes prevention, disease treatment and aftercare services; > With the evolving needs of consumers, out-of-hospital delivery models and new hospital delivery models are emerging but a strategy to address elders is still unclear.
	Competitors Landscape 	<ul style="list-style-type: none"> > This industry lacks transparency due the uncooperative environment amongst its players, which results in a reduced perception of the current state of industry to its stakeholders; > Although this absence of transparency exist, players tend to follow the business leader norms and approach, in what regards price, types of service and delivery mechanisms; > Digitalization is a top priority for competitors as it enables them to deliver services in an unparalleled way, better measure service evaluation and feedback, be constantly available, more convenient, reduce operational costs, improve patient screening and reduce queues, among other considered benefits.
	Challenges 	<ul style="list-style-type: none"> > Customer acquisition is likely to be the biggest barrier to growth, which is reflected in historical data concerning changes of clients amongst competitors; > Lack of exclusive partner agreements facilitates the degree of replicability from other players in the industry, making the first mover advantage short lasting; > The uncooperative environment among players in the market makes the pace of development slower and more costly; > Ageing of the population increases the number of chronic diseased, however, players in this market still place a stronger emphasis on high frequency low cost diseases.
	Opportunities 	<ul style="list-style-type: none"> > The development of innovative ways of delivering services with strong digital increment, in partnership with disruptive startups, enables companies to address the clients' needs along with low R&D investments; > Additionally, the growing technology solutions help companies to decrease operational costs and increase ownership of data; > The need to shift from a disease insurance to a comprehensive health insurance help companies to diversify the service portfolio and reduce the risk of recurrent diseases.

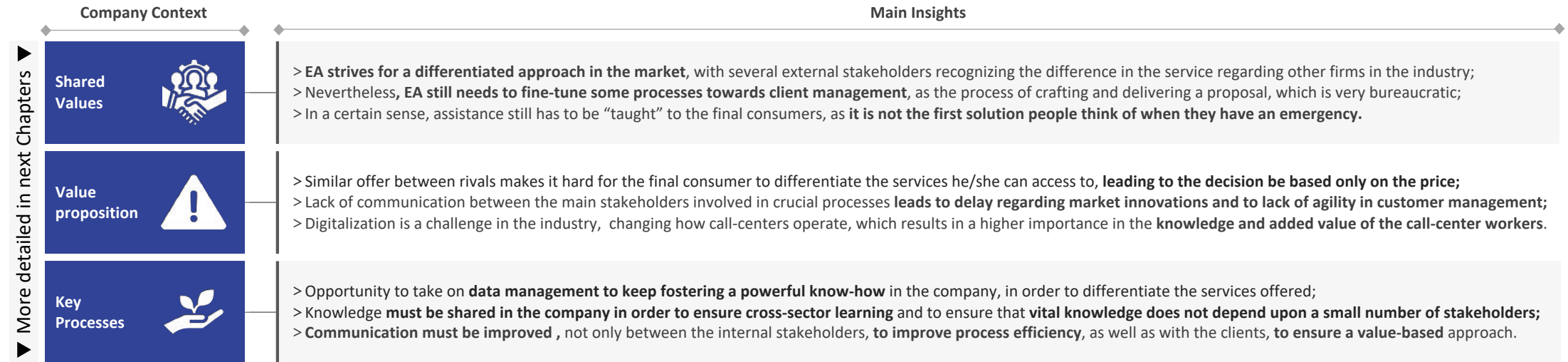
5.3. Europ Assistance Portugal Synthesis (1/2)

In the assistance industry, the choices of consumers are driven by price, as they are not able to perceive significant differentiation in the offers of the different players

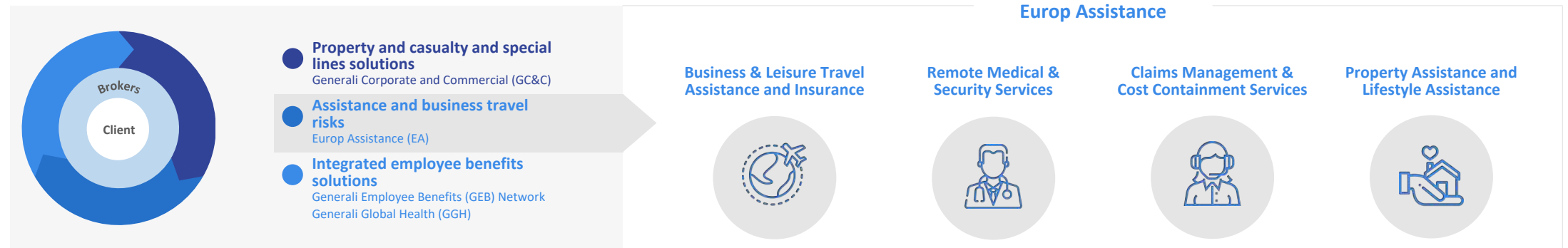
Company Context		Main Insights
▼ More detailed in next Chapters ▼	Shared Values 	<ul style="list-style-type: none">> The mission of the company is relieving the customers' pain points, anytime, anywhere, being side-by-side with the clients when they need the most;> The vision of the company is to become the most reliable and trustworthy care company in the world, being focused in building trust with the customers;> The main value of the company is the CARE value, which means caring about the customers, being available and reliable and easy to work with.
	Value proposition 	<ul style="list-style-type: none">> EA is recognized by its quality in assistance, however, by being a generalist player, the firm is figuring out how to assure that knowledge is inserted in its value proposition;> Company offering in terms of health services remains very limited, relying too much in ad-hoc approaches and outsourcings, that risk customer- centricity positioning;> In terms of institutional clients, however, there are tools as the NPS to track the client satisfaction, however the outputs can be improved based on successful use cases.
	Key Processes 	<ul style="list-style-type: none">> Ongoing processes in the company that can have crucial impact in their services (NPS for final customer for example) should be speed-up to maintain pace with the market;> Internal processes' coordination must be improved, as there are some constraints which exist due to lack of communication (example: pricing underestimates need of people);> Too much bureaucracy does not enable the agility of the company in the go-to-market strategy, an aspect that can be a severe obstacle in such a fast-paced industry.
	Key Resources 	<ul style="list-style-type: none">> Large investments are made in human resources, with aspects as training with follow-ups in the job or training about recent topics (GDPR) conducted;> The firm has been implementing several programs (mentoring programs, for example) in order to increase the knowledge sharing;> Budget restrictions block several initiatives, such as communication-oriented tools, however, the strategy for EAG in the future (digitalization) can help set free some budget.
	Partners Network 	<ul style="list-style-type: none">> For tech partners, EA offer focuses on its customer base, and wide geographical presence, which can allow for giving scale to its partners;> Partners incentives are still not totally aligned with EA incentives, due to lack of exclusivity from EA and due to lack of high customer base in health business line;> Current coordination with providers in health must be improved, as EA cannot access directly how the service is being delivered to the final consumer;
	Distribution Channels 	<ul style="list-style-type: none">> The historical focus of the company in the B2B2C has guided the strategy of the firm, which is focused on institutional clients;> EA does not has the resources or the intention to focus on B2C, especially due to the likely cannibalization or retaliation from institutional clients;> Taking advantage of spare capacity in customer base is fulcral, in a market dominated by client retention in which the cross-sell of products to the same client assume relevance;

5.3. Europ Assistance Portugal Synthesis (2/2)

In the assistance industry, the choices of consumers are driven by price, as they are not able to perceive significant differentiation in the offers of the different players



As-is Generali Ecosystem



6.1.1. Internal (1/3)

Europ Assistance benefits from countless synergies, client base increment and exposure, by being affiliated to Generali Group and its inherent business ecosystem

Europ Assistance Operational Synergies



Client
retention



Economies
of scale



Operational
solidity

- > Being part of Generali Group **positively impacts client retention, economies of scale and operational solidity**
- > EA benefits from having a **lower risk of losing key clients**, as they are **locked to the Generali ecosystem**
- > Economies of scale (cost savings) exist, as the company **consolidates processes and operations** with the group
- > In Portugal, the acquisition of Seguradoras Unidas **ensure operational solidity in the Portuguese market**
- > The operational solidity attained is **not only at a customer-level**, but also through **knowledge sharing**

Financial Synergies



Cost of
capital



Access to
capital



Tax-related
synergies

- > Financial synergies include a **lower cost of capital**, improved **access to capital** and **tax-related synergies**
- > The **cost of capital is lower**, as EA reduces the risk to financial institutions by being part of a larger group
- > As a sub-holding, **EA benefits from the investment of Generali** in the **improvement of services like health**
- > Additionally, EA increases the size of assets as being part of Generali, thereby as a **higher debt capacity**
- > Tax synergies are more **unusual**, as they occur due to **carry over of net operating losses and tax credits**

Managerial Synergies



Managerial
skills



Operational
efficiency

- > Managerial synergies result from **share of managerial skills and improvements in operational efficiency**
- > Managerial skills shared between units help the firm to **define cohesive and stretching goals for the group**
- > Managerial skills from the a company like Generali are **special important in organizational transformation**
- > Well defined control mechanisms at the board level, help sub-holdings to **excel in performance every time**
- > Operational efficiency results in a **better cost-control** but also in a constant **pressure to grow revenues**

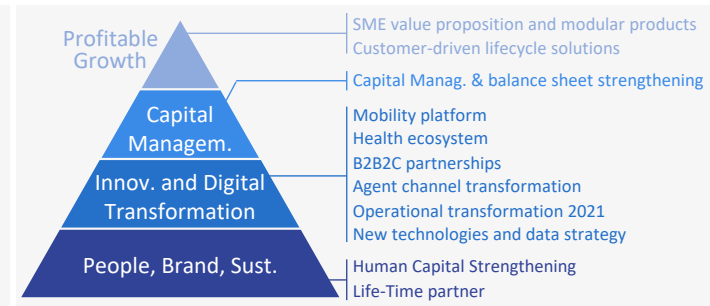
6.1.1. Internal (2/3)

EA will assume a key role in Generali's ecosystem by being a life-time partner, enabling the firm to extend the services provided to its customers

Strategy and Value Proposition Generali Ecosystem



Strategic Initiatives Generali Group



Strategic Role Europ Assistance



- > The ecosystem works as a leverage for Generali to become a **life-time partner to its customers**
- > For this goal, the Group is **shifting from protection and compensation to prevention and service**
- > This transition enables the ecosystem to **relationally accompany the customer at all stages of their life**
- > The group places a strong emphasis on the **healthcare**, as it is an area that **speaks dearly to consumers**
- > Generali went through a **successful financial** (2012-2015) and **operational** (2016-2018) turnaround
- > Generali 2021 plan aims for "**leveraging strengths to accelerate growth**", with **eleven strategic initiatives**
- > The strategic initiatives are divided into three pillars, with **people, brand and sustainability as the base**
- > Growth market segments like **health and assistance** are top priorities to **strengthen leadership in Europe**
- > The ecosystem stresses a unique value proposition through a **3 solution, 1 partner approach**
- > Europ Assistance is key for some of the strategic initiatives, as being the **life-time partner enabler**
- > The firm helps the ecosystem **shift for prevention and service**, through its offer or partners in diverse areas
- > In **health**, EA **assumes a pivotal role** by having the responsibility to **ensure the best service management**

6.1.1. Internal (3/3)

Given the existing overlap of services provided, Generali's ecosystem is not exploiting the maximum value it can yield from the interaction of its companies

Europ Assistance Health Services

- > Established since 1993 in Portugal, Europ Assistance competes in the assistance market, providing **services that support customers at every stage of their life**
- > For the health BL, Europ Assistance mainly **provides services from partners** with a **short fraction of in-house production**, that concerns more **support services**
- > Europ Assistance's clients are **mainly competing in the insurance, financial and medical industry**, representing over **99% of the firm's revenues** in health by 2018

Other companies within the ecosystem Health Services

- > In recent years, Generali has invested heavily in buying new companies to outpace its rivals, being currently the **second largest non-life insurance** group in Portugal
- > **Among healthcare-acquired businesses**, there are companies that also provide services on their own or through partners, **overlapping some services from EA**
- > The most striking example of overlap comes from AdvanceCare, that also has a B2B2C business strategy, **seeking for the same partners and has the same target**

Generali Ecosystem Health Services

- > **Inefficiencies can be analyzed at three levels**, the first two arise from a double cannibalization of clients and services, the third is the underuse of synergies
- > **Overlapping services** in the ecosystem are causing companies to **duplicate efforts and investment** that could be greatly reduced if companies worked together
- > **Overlapping customers** for the same range of services puts **companies from the same ecosystem competing for the same pie**, becoming each other's rivals
- > The **under exploitation of synergies prevents companies from taking full advantage** of their ecosystem to reduce costs or improve their market position

"One Company" approach

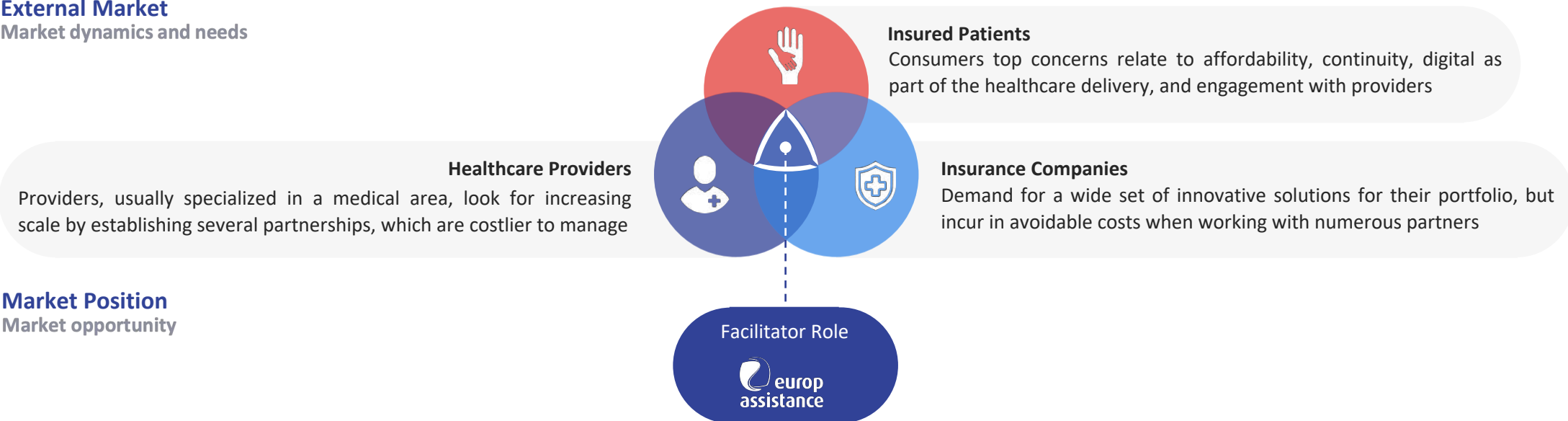
Generali's restructuring program in Germany as a case study

During 2015 Generali announced the "One Company" approach, a restructuring program that would concentrate ten product factories into a single product development engine to improve operating performance and to create long-term value by 2018. According to Philippe Donnet, Generali Group CEO, "these actions will simplify processes, consolidate our distribution network, increase our product range and strengthen Generali brand."

6.1.2. External

EA should comprehend carefully the needs of providers and clients, connecting them and facilitating processes and communication between the ecosystem's players

External Market
Market dynamics and needs



Market Position
Market opportunity

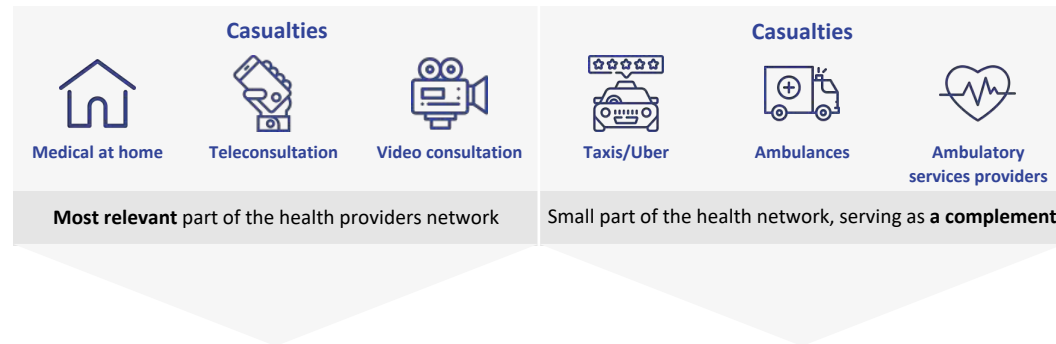
- Cost reductions** Being the **bridge between providers, insurers and customers**, EA enables the first two to **save costs** with relationship management and ultimately **ensures an affordable cost to the end-consumer**, by deploying a comprehensive bundle of services that are cheaper than the sum of parts.
- Value creation** **Healthcare companies are provided with the desired scale**, by working with only one “client”. Insurance companies receive a **wide set of innovative solutions for their portfolio**. Insured patients benefit from a service that covers the **entire experience (continuity) and more digital solutions**.
- Ecosystem enabler** At the center of the the business ecosystem, EA would have the responsibility to **curate data and facilitate relationships**. Data helps companies to **create value-added products and services**, and superior experiences, for customers. **Easier relationships cut the burden of partnerships management**.

6.2.1. Providers (1/2)

Focusing on a specific set of providers allows remaining close to the company's core DNA and benefit from the accumulated market knowledge

Providers Segmentation

As-is state



- > The current health providers network is divided **into two segments that are not proportionally balanced**. The majority of the services required to providers are **different types of consultations**.
- > Casualties are a less developed segment due to the **less volume of requests**. The relationships with these **providers are managed mostly on an ad-hoc basis**, which does not let EA to have bargaining power.
- > **Innovative services often arise in the network**, such as teleconsultations with psychologists, but they often **do not get a significant amount of requests which leads them to loose relevance**.

To-be state



- > As part of an ecosystem, **Europ Assistance should focus itself** on the set of providers where it is **possible to leverage its resources and capabilities, working as complements**.
- > If **EA successfully implements customer data tracking measures** within its providers network, **integrating it with ecosystem data**, not only **new revenue streams will arise, but also opportunities to create new products/services**.
- > Narrowing EA's focus to a set of providers, completing other fields with group companies' providers will **concentrate negotiation volumes** and **overcome identified current challenges**.

6.2.1. Providers (2/2)

EA can be a relevant partner for providers in health by unfolding unexplored interactions with them and leveraging its strong providers' management

Health BL

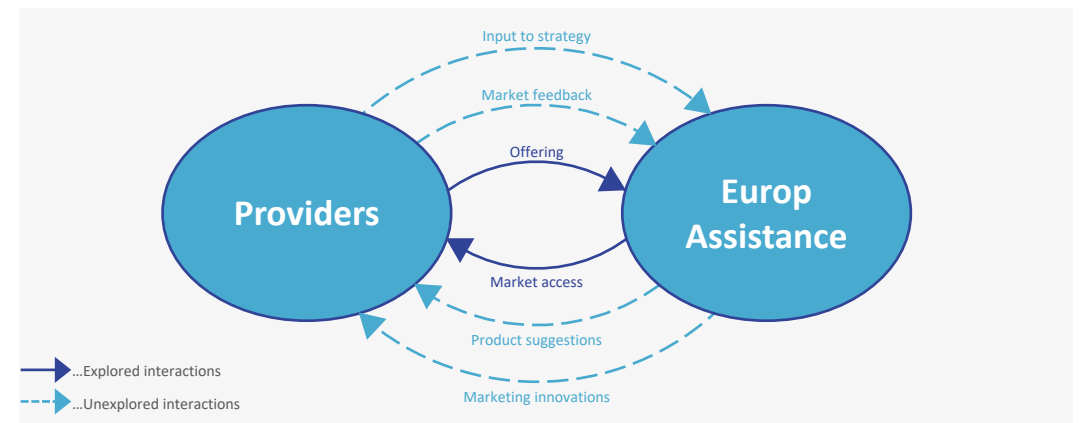
EA as-is Situation




Strengths	Challenges
<ul style="list-style-type: none">> Very considerable size and access to market on a global level> Strong providers management and good associations on partner's minds> Broad network of providers form other business lines> Global access to information on trends and innovative services as a result of the group behind Europ Assistance Portugal	<ul style="list-style-type: none">> Limited volume within health in Portugal> No dedicated employee for providers management in health business line> Lack of means and processes to assure service quality provided by partners> Difficult to find providers with innovative services that remain in the market long enough to provide their services

Given the lack of volume in the Portuguese health market as well as lack of dedicated human resource in providers management within health, the **current approach of building a providers' network on the promise of market access and volume is not yet sustainable**

Business Ecosystems

Untapped interactions and best practices



-  **Spark innovation** – engaging in **co-innovation and co-creation** of new services with providers and potential providers
-  **Reduce costs** – implementing **innovative sourcing processes** (e.g. e-tendering) allows to reduce costs of building providers network
-  **Optimize service quality** – giving **individual provider a face** enables service quality measurement and to collaboratively maximize performance

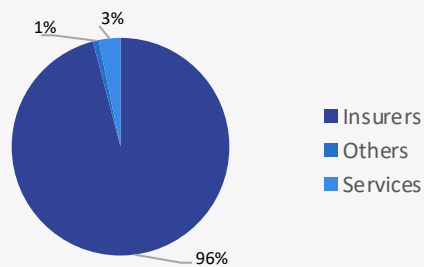
6.2.2. Clients (1/4)

Market dynamics highlight an increasing trend around private healthcare services, which allow assistance firms to gain relevance in fulfilling this opportunity

Segmentation

EA as-is Situation

% Top 10 Revenues (Health)

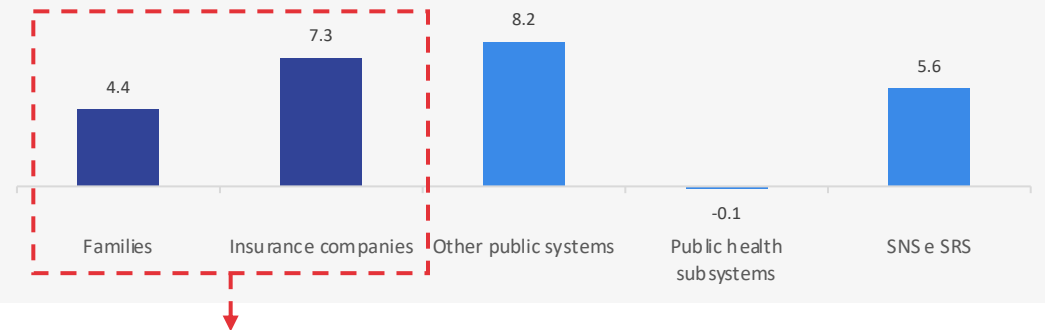


- > Health business line accounted for **2,17M GTO** in Europ Assistance's 2017 financial reports. This business line serves mainly as a **cross selling mechanism for EA**.
- > **Insurance companies represent the majority of the revenues of health business line (96%)**. Top 5 clients are insurers and sum up to **86%** of the business line.
- > The **fastest growing segments are services and others**. In more detail, these are clients provide a differentiated service where Europ Assistance acts mainly through **assistance over the phone**.
- > There is **no clear defined segmentation and targeting strategy** from Europ Assistance in the health market. In order to do so, I shift towards a **proactive approach** is required.

Private healthcare market

Portugal as-is Situation

Evolution of expenses on Healthcare products (y/y nominal growth %)



- > **Insurance companies and families** are pushing the health investments in Portugal. These segments are growing faster than the GDP (vs 3,6%).
- > **Health insurance represents now 12%** of all private spending on health made in Portugal. It grew 600% in 17 years (vs 70% of the whole healthcare spending).
- > **Families** are increasingly looking for **private healthcare products**, mainly hospitals and ambulatory services. These providers have the two biggest increase on current spending Y/Y (5,5% and 4,4%, respectively).
- > Current increase in the **demand** for private healthcare is **growing at a faster pace than the supply** created. At the same time, the market is becoming more concentrated around four players.

6.2.2. Clients (2/4)

Focusing on insurers and private healthcare providers as their target segments will allow EA to effectively cater their clients' needs

Target Segments Insurance Companies



- > **2,6 million Portuguese people have now health insurance** (1/3 through individual contracts, 2/3 through group contracts). The average premium paid per person reached 296€ on average.
- > Health insurance market has been **growing over the last years and is one of the biggest investment priorities for insurers**. In 2017, it represented 17% of all non life written premiums.
- > **Claims costs are growing at a faster pace than premiums (8,8% vs 7,7%)** which is leading to **margin decrease for insurance companies**. This effect is being intensified over the last months of activity.
- > **Claims paid per cover in 2017 were mainly in ambulatory (45%)**, a category where Europ Assistance can play an important role in **serving effectively and efficiently customers**.

Private healthcare providers



- > Private investments aim to **fulfil the market opportunity created by the decrease of capacity of the Portuguese national health system**. Between 2018-20, 19 private hospitals are being created.
- > Hospitals face the challenge of **combining a convenient and excellent service with increasing levels of demand**. As an example, in 2019 the number of babies born in private hospitals surpassed for the first time SNS.
- > Services provided by players such as José de Mello Saúde are **mainly consultations** (1,4 Million in the first six months of 2019 – increase of 5,8% Y/Y). They are currently **not exploring the potential of telemedicine or medical at home**.
- > Despite of the creation of smaller ambulatory healthcare providers to support hospitals, there is a **clear whitespace opportunity that can be fulfilled by EA, mainly in post-treatment and elderly**.



Thank you!

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